



FATF Retains Pakistan on Grey List

Why in News

The **Financial Action Task Force (FATF)** decided to retain Pakistan on “**increased monitoring list**”.

- “Increased monitoring list” is another name for the **Grey List**.

Key Points

▪ Background:

- The **FATF had issued the 27-point action plan after placing [Pakistan on the ‘Grey List’ in June 2018](#)**. The action plan pertains to **curbing [money laundering and terror financing](#)**.
- During the **[October-2020 Plenary](#)**, due to the Covid-19 pandemic, Pakistan was given an extension for full compliance with the 27-point action plan till February 2021.
 - It had then not fully complied with 6 of the 27 directives.
- **[In February 2021](#)**, FATF acknowledged Pakistan’s significant progress in combating terrorism, however it was still to fully comply with **three of the 27-point action plan**.
 - The three points pertained to effective steps in terms of financial sanctions and penalties against the terror funding infrastructure and the entities involved.

▪ About:

- The FATF said **Pakistan had failed to take appropriate action against UN-designated terrorists** such as 26/11 accused Hafiz Saeed and JeM chief Masood Azhar. However, **Pakistan has completed 26 of the 27 action items**.
- The FATF **encourages Pakistan to continue to make progress to address as soon as possible the one remaining Countering Finance of Terrorism (CFT)-related item** by demonstrating that Terror Financing investigations and prosecutions target senior leaders and commanders of UN-designated terrorist groups.
- In addition, the **FATF has handed down another 6-point list of tasks mainly on money laundering** actions to be completed as well.
 - Pakistan is expected to amend its Money-Laundering Act, crackdown on Designated Non-Financial Businesses and Professions (DNFBPs) like real estate agencies and gemstone traders, confiscate and freeze assets of money laundering entities and monitor businesses for proliferation financing, with sanctions for non-compliance.

▪ Significance:

- In Pakistan's case, the **FATF has taken cognisance of the inaction against several banned organisations** involved in raising funds for terror activities and those linked to global terrorists like Jaish-e-Mohammed chief Masood Azhar and Lashkar-e-Taiba’s Hafiz Saeed and its operations chief Zaki-Ur Rahman Lakhvi.
- On several occasions, India has also raised the involvement of elements within Pakistan in a number of terror cases, **including the 26/11 Mumbai and Pulwama attacks**.

- **Perpetual containment of Pakistan on the grey list** of FATF **would further pressurise Pakistan to take adequate measures** to prevent such terrorist attacks on India from its soil.
- Unlike the next level “blacklist”, **greylisting carries no legal sanctions, but it attracts economic strictures and restricts a country’s access to international loans.**
 - Pakistan’s Foreign Minister had estimated **a loss of \$10 billion annually to the Pakistani economy** for every year Pakistan has been on the greylist.

Financial Action Task Force

▪ About:

- It is an inter-governmental body established in 1989 during the **G7 Summit** in Paris.
- The FATF assesses the strength of a country’s anti-money laundering and anti-terror financing frameworks, however it does not go by individual cases.

▪ Objectives:

- To set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

▪ Headquarters:

- Its Secretariat is located at the [Organisation for Economic Cooperation and Development \(OECD\)](#) headquarters in Paris.

▪ Member Countries:

- The FATF currently has 39 members including two regional organisations — the European Commission and [Gulf Cooperation Council](#). India is a member of the FATF.

▪ Lists under FATF:

◦ Grey List:

- Countries that are considered safe haven for supporting terror funding and money laundering are put in the FATF grey list.
- This inclusion serves as a warning to the country that it may enter the blacklist.

◦ Black List:

- Countries known as Non-Cooperative Countries or Territories (NCCTs) are put in the blacklist.
- These countries support terror funding and money laundering activities.
- The FATF revises the blacklist regularly, adding or deleting entries.

- **Sessions:** The **FATF Plenary is the decision making body of the FATF**. It meets three times per year.

Source: IE